Addendum

Calculating 2025 Conforming Loan Limit Values Under HERA

National Baseline

The Housing and Economic Recovery Act of 2008 (HERA) requires the Federal Housing Finance Agency (FHFA) to adjust the baseline conforming loan limit value (CLL) each year to reflect changes in the national average home price. HERA specifies that the Agency "establish and maintain" an index for tracking average home prices for this purpose. In May 2015, FHFA published a Notice and Request for Input announcing its plans for using the nominal, seasonally adjusted, expanded-data House Price Index® (HPI®) for this purpose.[1] With generally favorable feedback to the announcement, FHFA published a Final Notice in October 2015 stating that it would follow that plan.[2]

In determining the 2025 CLL baseline value, FHFA used the nominal, seasonally adjusted, expanded-data HPI to calculate the proportional change between the third quarter 2023 and third quarter 2024 index values expressed mathematically as:

$$(409.43211479 - 389.14636615) / 389.14636615 = 5.21288400 \text{ percent}$$

This is the standard calculation HERA prescribes.[3]

High-Cost Area Limit Values and the National Ceiling

HERA provides for FHFA's setting a high-cost area limit value as a function of local-area median home values. The local CLL value is higher in areas where 115 percent of the local median home value exceeds the baseline limit value. However, the local value cannot be more than 50 percent above the baseline value. In the District of Columbia and all states except Alaska and Hawaii, the highest possible local area loan limit value, or "ceiling," for a one-unit property for 2025 is $1,209,750 (150 percent of $806,500).

Consistent with prior practice, FHFA used median home values estimated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD).[4] FHFA compares county median home values within metropolitan and micropolitan statistical areas and then uses the highest value to determine the local area loan limit value.[5]

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[1] See https://www.federalregister.gov/articles/2015/05/27/2015-12781/notice-of-establishment-of-housing-price-index.

[2] See https://www.federalregister.gov/articles/2015/10/22/2015-26778/notice-of-establishment-of-housing-price-index.

[3] As discussed in prior releases, the calculation is slightly more involved in periods immediately following house price declines. In such instances, prior declines must be "made up" before any loan limit increase can take place. No such adjustments were necessary in calculating the 2025 CLL value.

[4] FHA has calculated those median values for the purpose of determining its own lending limits. Once the FHA loan limits are announced, FHA will allow a 30-day appeals period for the submission of data suggesting a potentially higher median home value for a given area. If FHA changes its median price estimates stemming from appeals, and if those changes would impact the FHFA conforming loan limits, FHFA may adjust the conforming loan limit values and announce the resulting changes.

[5] Metropolitan and micropolitan statistical areas are defined in Office of Management and Budget (OMB) Bulletin 20-01, which was published in March 2020 at https://www.whitehouse.gov/wp-content/uploads/2020/03/Bulletin-20-01.pdf. In July 2023, OMB released Bulletin 23-01, Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical

In determining the 2025 CLL values, FHFA continued its practice to not permit declines relative to prior limit values. While HERA does not explicitly prohibit declines in high-cost area loan limit values, this approach is consistent with the statutory procedure for responding to changes in prices on a national level. Consistent with this practice, the 2025 CLL values reflect the higher of the limit values calculated for 2025 under the HERA formula and the HERA loan limit values for the years 2009 through 2024.

Special Exceptions

Statutory provisions establish a baseline CLL value that is 50 percent higher than in the contiguous United States for Alaska, Hawaii, Guam, and the U.S. Virgin Islands. Because the baseline CLL value for the contiguous United States rose for 2025, the baseline CLL value in these statutorily defined areas also increased.

Limit Values for Multi-Unit Properties

HERA requires that baseline values for two-, three-, and four-unit properties be increased by the same percentage as the increase in the one-unit limit value. Accordingly, the baseline value for two-, three-, and four-unit properties increased by 5.212884 percent.[6] For most areas other than Alaska, Hawaii, Guam, and the U.S. Virgin Islands, the loan limit values for 2025 are $1,032,650, $1,248,150, and $1,551,250 for two-, three-, and four-unit homes, respectively.

In high-cost areas, FHFA calculates the two-, three-, and four-unit CLL value by taking 115 percent of the local one-unit median home value and multiplying the product by two-, three-, and four-unit multipliers. Those multipliers correspond to the ratios of the two-, three-, and four-unit baseline loan limit value to the one-unit limit value HERA identifies.[7] FHFA then compares the result to the local area loan limit value (for the relevant-sized property) to ensure that it is below the ceiling value.

Acquisitions of Loans Originated in Certain Prior Years

Under a series of laws enacted in past years, including the Economic Stimulus Act of 2008, the American Recovery and Reinvestment Act of 2009, Public Law 111-88, and Public Law 111-242, higher loan limit values have applied to Fannie Mae and Freddie Mac acquisitions of certain seasoned mortgages. Acquired loans that were originated between July 1, 2007 and Sept. 30, 2011, are subject to previously announced limit values determined under those laws. The applicable CLL value for such seasoned loans was as high as $729,750 for one-unit properties in the contiguous United States. In 2024, the baseline loan limit value surpassed the limit set for these seasoned loans, and the Enterprises was no longer required to select the higher of the two limit values to determine eligibility starting from 2024.

Areas, and Guidance on Uses of the Delineations of These Areas. These updates will likely take effect in 2025 and likely be reflected in the 2026 CLL values.

[6] The individual values have been rounded down to the nearest $50, consistent with the rounding practice for the baseline one-unit loan limit value. The high-cost area loan limit values are rounded down to the nearest $25.

[7] The two-unit, three-unit, and four-unit multiples are 1.28021583 (=$533,850/$417,000), 1.54748201 (=$645,300/$417,000), and 1.92314149 (=$801,950/$417,000) respectively. Note that the ratios have been calculated using the *initial* baseline limit value specified in HERA and not the 2025 baseline limit value. The multipliers would be trivially different if the new baseline limit values were used to form the ratios; any differences would be a function of rounding. To maintain consistency over time, FHFA intends to continue using the ratios implicit in the original HERA CLL.